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## NEWS RELEASE

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### **PSC GRANTS GAS RATE INCREASE TO ULH&P** *Amount is 40 percent less than company requested*

FRANKFORT, Ky. (Dec. 22, 2005) - The Kentucky Public Service Commission (PSC) today granted a revenue increase to The Union Light, Heat & Power Co. (ULH&P)

The amount of the increase is \$8.1 million - \$5.9 million less than the \$14 million that ULH&P had requested.

The rate change will increase the monthly gas base rate for an average residential customer by \$4.19, or 10.3 percent.

ULH&P's gas rate increase covers only the costs of distributing gas to its customers. The actual cost of the gas itself, by federal law, is unregulated, fluctuates with market conditions and is passed on to customers on a dollar-for-dollar basis, with no profit for the gas company. The wholesale cost of natural gas has increased about 50 percent since last year.

The new rates increase the monthly customer charge from \$8.30 to \$12. ULH&P had proposed a \$15 minimum charge. The customer charge covers those costs of providing service that are independent of the amount of gas a customer uses.

Under the new rate structure a monthly surcharge that has funded ULH&P's accelerated replacement of aging gas mains has been folded into the base rates. The monthly surcharge has been \$3.29 per residential customer. The delivery charge for gas will increase from \$2.33 per 1,000 cubic feet to \$2.68 per thousand cubic feet.

Because ULH&P began charging its proposed rates on Oct. 1, as permitted by law, the company will now have to give customers a refund, with interest, of the difference they paid between the proposed rate and the rates granted by the PSC.

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ULH&P is one of five major local natural gas distribution companies in Kentucky. It serves about 92,400 customers in six counties in northern Kentucky. The company also has about 131,000 electric customers in five of those counties. Their rates were not affected by this case.

In an order issued today, the PSC cited several factors that led to a smaller increase than ULH&P had requested. They included:

- Granting a return on equity of 10.2 percent, rather than the 11.2 percent requested by ULH&P.
- Reducing by \$1.6 million the amount of depreciation expense requested by ULH&P for its natural gas facilities.
- Changing an adjustment factor used to balance out the effect of weather on gas consumption and hence utility revenues.
- Turning down a request by ULH&P to increase its bad check charge from \$11 to \$20.
- Reducing the costs ratepayers bear for ULH&P's employee incentive plans.

The PSC order also:

- Approved a surcharge mechanism to pay for further gas main replacements, but said ULH&P could not file under the surcharge mechanism until March 2008.
- Allowed ULH&P to assume ownership of customer service lines that the company installs at no charge to the customer, including those that are replaced as new mains are installed. ULH&P will have responsibility for maintaining and repairing those service lines.

ULH&P's last general rate increase was granted nearly four years ago, in January 2002. Wholesale natural gas costs have more than doubled in that time.

Today's order, as well as other case documents and videos of hearings in the case, can be found on the PSC Web site, which is [psc.ky.gov](http://psc.ky.gov). The case number is 2005-00042.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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**RATE CHART FOLLOWS**

## UNION LIGHT, HEAT & POWER GAS RATES

All numbers based on an “average” customer using 10,800 cubic feet of gas per month during the heating season

	As of 9-30-05	Rate requested by ULH&P (in effect 10-1-05)	Rate approved by PSC
Customer charge	\$8.30	\$15.00	\$12.00
Main replacement surcharge	\$3.29	0	0
Gas delivery charge	\$25.21	\$32.24	\$28.99
Demand-side management charge	\$3.56	\$3.56	\$3.56
<b>TOTAL LOCAL SYSTEM CHARGES</b>	<b>\$40.36</b>	<b>\$50.80</b>	<b>\$44.55</b>
Wholesale gas cost	\$100.93	\$125.25	\$132.27